LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
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FISCAL IMPACT STATEMENT

LS 6199 **DATE PREPARED:** Feb 22, 2000
BILL NUMBER: SB 62 **BILL AMENDED:** Feb 21, 2000

SUBJECT: Public safety survivor and disability benefits.

FISCAL ANALYST: James Sperlik; Al Gossard
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FUNDS AFFECTED: GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) (1) This bill separates the provisions concerning survivors' benefits for police officers and firefighters into separate sections based on whether the death was in the line of duty or not in the line of duty.

(2) It makes the definition of "dies in the line of duty" used in the survivors' benefits statutes uniform for all police officers and uniform for all firefighters.

(3) The bill separates the provisions concerning disability benefits for police officers and firefighters into separate provisions based on whether the disability was in the line of duty or not in the line of duty.

(4) It also specifies that if a local pension board determines that a police officer or firefighter has a disability, the local board shall also make a recommendation to the 1977 Fund Advisory Committee Concerning whether the disability occurred in the line of duty.

(5) The bill requires the 1977 Fund Advisory Committee to review the recommendations and make a finding concerning whether the disability occurred in the line of duty.

(6) The bill also provides that in the Legislators' Retirement System, if a member does not make an investment selection of the alternative investment programs, the member's account shall be invested in the PERF Board's General Investment Fund.

(7) It provides that if the designated beneficiary of a deceased PERF or TRF member's annuity savings account is not entitled to a survivor's benefit, the designated beneficiary may elect to receive over a period of up to five years the total amount credited to the deceased member in the member's annuity savings account. (Current law requires that the amount be paid in a lump sum.)

(8) The bill provides that retirement benefits for Teachers' Retirement Fund members are based on the three

years of service (rather than five years of service) in which compensation was highest.

(9) The bill provides that for purposes of determining an Indiana State Teachers' Retirement Fund (TRF) member's pension benefits, the member's "annual compensation" includes the additional amount that would have been paid to the member under the member's employment contract if the member had not, after June 30, 2000, taken unpaid leave of absence during the year to serve in an appointed or elected position of public service with a governmental entity.

(10) It provides that distributions from the Pension Relief Fund to local units of government shall be made in a particular year based on estimates of pension liabilities in the following year.

(11) It provides that in 2000, units of local government will receive Pension Relief Fund distributions under both the current law and under the amended law.

(12) The bill provides that a lobbyist activity report is not required to include expenditures for goods and services from a retail business in which a legislator or certain individual associated with the General Assembly has an interest if the expenditure is in the ordinary course of business at a price that is available to the general public.

(13) It provides that a retired legislator who is at least 55 years of age and has served as a member of the General Assembly for at least 6 years is responsible for only the employee share of the premium for coverage under a state employee health insurance program.

(14) The bill provides that a retired legislator's spouse or surviving spouse may be covered under a state employee health insurance program if the spouse was covered at the time of retirement or the legislator's death.

(15) It allows a retired legislator to file a request for coverage under a state employee health insurance program at any time.

(16) The bill provides that a retired legislator and a legislator's spouse remains eligible for coverage under a state employee health insurance program when the retired legislator or legislator's spouse is eligible for Medicare.

(17) It requires the state to offer coverage under a plan that supplement's Medicare to retired legislator's at the same percentage of premium that an active employee pays for the new traditional plan.

(The introduced version of this bill was prepared by the Pension Management Oversight Commission.)

Effective Date: (Amended) July 1, 1999 (Retroactive); Upon Passage; July 1, 2000.

Explanation of State Expenditures: (Revised) Parts 1-5 will have no fiscal impact on expenditures for the funds involved. The proposed changes will comply with an Internal Revenue Service (IRS) private letter ruling which said that death or disability of a public safety officer must be separated into line of duty death or not in the line of duty death and line of duty disability or non-line of duty disability. If the separation is not made, according to the IRS interpretation, the death and survivor benefits would be taxable for the members and their survivors. For the 1977 Advisory Committee, before November 1, 2000, there may be some additional administrative work required in the determination of which surviving spouses, children, or parents are receiving benefits from the funds involved, or are survivors of police officers and firefighters who died in the line of duty before September 1, 1982. Currently, the Public Employees Retirement Fund (PERF) has assigned one staff person to work with the 1977 Fund Advisory Committee.

Part (6) will have no fiscal impact on PERF as administrators of the Legislative Retirement System.

Part (7) will increase administrative costs associated with the distribution of PERF or TRF member's Annuity Savings Account under certain circumstances, since the proposal calls for distribution over a five year period as opposed to a lump-sum distribution. Currently, this proposal affects one individual This section is retroactive to July 1, 1999. For both PERF and TRF, their computer systems will need to be upgraded to handle the new type distributions. The cost is estimated at $75,000 each for both PERF and TRF.

Part (8) provides that retirement benefits for Teachers' Retirement Fund members are based on the three years of service (rather than five years of service) in which compensation was highest.

3 Year FAS*

	Closed Plan	Post ‘96 Plan	Total
Increase In Unfunded Accrued Liability	$351 M	$14 M	$365 M
Increase in Computed Contribution Rate as % of payroll	0.5%	0.5%	0.5%
40 Year Amortization	0.5%	0.2%	0.5%
Total	1.0%	0.7%	1.0%
Estimated Increase in payout first year(cumulative)	$1.3 M		$1.3 M
Estimated Increase in payout second year	$2.7 M		$2.7 M
Estimated Increase in payout third year	$4.2 M		$4.2 M

*Final Average Salary

The fund affected is the State General Fund.

Part (9) The salary would be the member’s base contractual salary as a teacher, rather than the partial amount based on actual teaching service for the year. The specific impact will depend upon the number of TRF members who take unpaid leaves of absence to serve in an appointed or elected position of public service for a period of time toward the end of their teaching career. Assuming the number of members in this category is small relative to the entire TRF active member population, the overall effect on TRF is likely to be small. However, the impact for affected members could be significant. For example, if the final average salary increases to $40,000 from $30,000, the annual TRF benefit for a 30 year teacher would increase to $13,200 from $9,900. The liability associated with the increased benefit for the 30 year teacher who would retire at age 60, for example, would be over $30,000. The fund affected is the State General Fund for both the pre-1996 plan and the 1996 plan.

Part (10) provides that distributions from the Pension Relief Fund to local units of government shall be made in a particular year based on estimates of pension liabilities in the following year.

Part (11) provides that in 2000, units of local government will receive Pension Relief Fund distributions under both the current law and under the amended law. The impact of part 11 is to speed-up (provide an additional distribution for calendar year 2000) the distributions of Pension Relief Fund The recipients units will not receive any additional funds, but will receive the funds earlier. The additional Pension Relief Fund distribution for November, 2000 is estimated at approximately **$87.9 M.**

In 1999, the General Assembly appropriated an additional $20 M annually to “m” portion of the Pension Relief Fund. The Pension Relief Fund provides assistance to those units most in need. It addresses the “distressed communities”. Based on projections at the time, 1999, the additional “m” fund appropriation was estimated to extend the life of the “m” portion of the Pension Relief Fund by approximately five years, to 2018. The amendment of 2/16/2000 changes 2018 to 2017. The net present value of interest lost as a result of the amendment of 2/16/00 is estimated at approximately $4.53 M.

NOTE: THE OFFICE OF FISCAL AND MANAGEMENT ANALYSIS HAS A PRINTOUT WHICH SHOWS THE AMOUNT EACH UNIT WILL RECEIVE AS A RESULT OF THE AMENDMENT OF 2/16/2000.

(12) This part will have no fiscal impact on the State.

(13) through (17) will be updated upon receipt of the necessary data from the Public Employees Retirement Fund.

Explanation of State Revenues: To the extent that the benefits would be non-taxable, the State would lose Individual Income Tax revenue attributable to the taxation of the benefits. The specific impact in indeterminable. The fund affected is the State General Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Public Employees Retirement Fund; Teachers Retirement Fund.

Local Agencies Affected: Recipients of Pension Relief distributions.

Information Sources: William Butler, Director of the Public Employees Retirement Fund, 233-4133, Mary Beth Braitman, Ice Miller Donadio & Ryan, 236-2413, Tom Miller, Professional Fire-fighters, 357-5080, Leo Blackwell of the Indiana Fraternal Order of Police, 264-7982; Doug Todd of McCready & Keene, Inc., actuaries for PERF and the Police and Fire Funds, 576-1508; Sandy Rodwan and Ken Alberts of Gabriel Roeder Smith & Co., actuaries for TRF, 1-800-521-0498.